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ANNUAL  
REPORT  
1987

NORTH WEST  
TRUST COMPANY



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**MISSION  
STATEMENT**

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*“To be an efficient, innovative  
and profitable trust and  
financial services company,  
dedicated to customer needs.”*

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## REPORT TO THE SHAREHOLDERS

We are pleased to report that the corporate direction established last year for the new North West Trust Company is well underway and has resulted in 1987 net income of \$8,144,000. The success of 1987 has strengthened our capital base to more than \$58,000,000 with total assets at year-end of \$719,776,000, all of which is a clear indication of the success of the rehabilitation agreement concluded by the Province of Alberta and Canada Deposit Insurance Corporation early in 1987.

During the year, several major initiatives were undertaken which represent a new focus for the Company:

- The most significant factor of our operations was the successful merging of the business activities of Heritage Savings & Trust Company with those of North West Trust. The talents and experience of the two employee groups has strengthened our team and created an enthusiasm with which to address new opportunities.

- The Company developed and implemented a comprehensive corporate business plan which, despite increased competition in the financial services industry, will greatly assist in strengthening North West Trust. Arising from the business plan was a reorganization of the corporate structure including the strengthening of the senior management team.

- Independent market research was conducted during the year which indicated that our customers have maintained a high level of trust and confidence in North West Trust and that we are noted for providing quality personalized service. Through our commitment of responding to customer needs and in keeping with the business plan's

strategy of developing our strengths, personal service is one area that will continue to be aggressively pursued.

Following the Annual General Meeting in June, 1987 the Company was pleased to welcome four new members to our Board of Directors; Mrs. Mary Lobay, B.Ed., M.Ed. and Dr. Demitro Melnyk, B.Sc., M.D., both of whom had served on the Heritage Savings & Trust Company Board of Directors prior to the merger, and Messrs. Zane Feldman and George L. Jackson, F.I.C.B. The valued counsel received from our strengthened Board greatly assisted the Company in pursuing its objectives.

Through the economic uncertainties Western Canadians have experienced over the past few years, our customers, employees, bonded agents, and shareholders have remained cooperative and understanding. The Board of Directors and senior management extend sincere gratitude for their loyalty and confidence.

We believe in the strength and vitality of the Western Canadian economy and, in particular, Alberta which, according to recent predictions from the Conference Board of Canada, will lead the nation in economic growth in 1989. North West Trust is committed to Western Canada and to vigorous participation in the resurgence of the economy. It is with confidence and enthusiasm that we look forward to the opportunities and challenges of the future.

On behalf of the Board,



Gary G. Campbell, Q.C.  
Chairman

## REVIEW OF OPERATIONS

North West Trust Company reported net income of \$8,144,000 for the year ended December 31, 1987. This equates to fully diluted earnings of \$0.30 per common share and Class "A" share and basic earnings of \$1.58 per common share and Class "A" share. With total assets of \$719,776,000 and shareholders' equity exceeding \$58,000,000, it is evident the restructuring of the Company has had a positive impact on its operations and its future.

No dividends were declared on any of the preferred shares of the Company. Approval by the shareholders of the resolutions respecting capital, which are the subject of the upcoming Special General Meeting, will facilitate the conversion of all of the issued Class "B" preferred shares of the Company into common shares.

1987 was a year of challenge for the new North West Trust - facing the tasks of restructuring the Company, completing the merger of the business activities of Heritage Savings & Trust, streamlining the amalgamated operations, developing the corporate business plan and setting a new profitable course for the future. It was perhaps appropriate that we completed the year by moving our head office operations to a new location in Edmonton Centre.

In May, we converted our enlarged retail banking system to a new on-line, in-house computer system. This was the first step in a series of computer conversions planned for the next 18 months which, when completed, will allow us to move into new areas and activities on a cost-efficient basis with confidence that the quality of our customer service will remain second to none.

Following the completion of an independent customer survey with the objective of identifying customer

needs, the Board of Directors, management and staff were involved in creating the corporate business plan which guides the future direction of the Company. Upon completion of the business plan, we commenced the realignment of personnel resources and organizational structure to effectively implement our new mandate.

### DEPARTMENTAL HIGHLIGHTS

#### Branch Operations

Due to the high level of liquidity with which we commenced the year, our investment strategy dictated a reduced reliance on term deposits for funding the operations. At the same time, cash was converted to marketable securities in order to reduce future interest rate sensitivity through improved matching of asset and liability maturities. Marketable securities, comprised primarily of fixed income investments, increased by \$90,000,000 while guaranteed investment certificates decreased by \$58,000,000. Demand and short term deposits remained relatively constant throughout 1987.

The merger of Heritage and North West Trust operations was successfully completed. We amalgamated two Edmonton branches, consolidating the North West Trust Courthouse branch into the Heritage branch on 100 Street; merged two Calgary branches, consolidating the Heritage branch into the North West Trust branch in Pan-Canadian Plaza; and closed the Red Deer branch when the lease expired in March. The smoothness with which the merger of the two operations was accomplished is a great tribute to both the staff and customers.

An upgrading of branch physical facilities began in 1987, with the doubling in size and major renovation im-



provements to the Edmonton South Side branch. The benefits of this approach have already become evident, and it is planned to adopt a similar approach in 1988 with the Yorkton branch. Our commitment to the Camrose market was evidenced by our purchase of the branch premises during 1987 with renovations currently underway.

To enhance personal service in lending activities, all consumer lending has been moved to Branch Operations with experienced lenders added to the staff of all major branches. Systems have been streamlined to ensure fast, courteous service with plans tailored to meet individual financial needs. Customers are now able to deal directly with local personnel in obtaining consumer loans, collateral loans and residential mortgages. By its separation from deposit gathering, there will be an increased emphasis on consumer lending accompanied by increased local autonomy in decision making.

The conversion of all retail banking activities to the new IBM computer has enabled us to embark on a program of expanded products in response to an identified demand. The first two new products - a bonus account for customers 56 years of age and better and a T-Bill savings account - were introduced early in 1988. A planned program of expanding banking products will continue throughout 1988.

### **Commercial Lending**

Our portfolio of mortgages, loans and leases increased \$11,000,000 during 1987, notwithstanding the main thrust for this department was a tightening of controls and examination of all activities.

A thorough review of all commercial lending operations, conducted with

the assistance of an independent consulting group, led to a complete reorganization of departmental structure and administrative procedures. With the active involvement of the Board, new lending policies and guidelines were developed and a portfolio quality grading system introduced.

The two major departmental functions, lending and loan administration, were separated. The Loan Administration group, in addition to providing loan accounting, portfolio administration and credit support to the Lending group, will be implementing the conversion of commercial loan accounting and account management to our new computer system during 1988. The Commercial Lending group has been expanded by the addition of professional, highly experienced commercial lending personnel in major offices.

During 1988, an increased emphasis will be placed on equipment leasing and corporate term financing in order to improve the geographic and industry diversification of our loan portfolio. Streamlined procedures and professional lending personnel will ensure fast, efficient service with loans specifically tailored to meet the client's needs.

### **Trust Services**

This department was formed during 1987 to guide the development of new products in the trust services sector. It will coordinate the implementation and marketing activities of all departments involved in the introduction of new products, with direct initial responsibility for customer service quality control. A group RRSP program, which enables smaller companies to offer a payroll deduction service for their employees' RRSP contributions into a pooled fund, was successfully

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launched in early 1988. Other new product initiatives currently underway will enable us to provide a much broader range of investment alternatives to our clients in the future.

#### **Audit Services**

During 1987, the Audit Services Department was completely reorganized. It now reports to the Chief Operating Officer and to the Audit Committee of the Board of Directors. Branch audit programs were substantially upgraded and new audit programs for all head office departments were commenced. The main thrust of Audit Services for 1988 will be an expansion of audit coverage and an improvement of departmental efficiencies in order to enhance the overall control and efficiency of the Company.

#### **OUTLOOK**

1987 was a year of intense activity and change as we completed implementation of the rehabilitation program. We could not have succeeded without the understanding, participation and enthusiasm of personnel at all levels of the organization. We are very proud of what our employee group has accomplished to date and in the enthusiasm with which they turned their focus to our future endeavours.

We enter 1988 with a new North West Trust. With a strong management team, a streamlined organizational structure, a strengthened employee base, a comprehensive business plan and an active Board of Directors, we are prepared to meet the challenges of the new year.

The process of regeneration has now commenced and we are committed to our mandate - "To be an efficient, innovative and profitable trust and financial services company, dedicated to customer needs."



Donald E. Farnell  
*Chief Operating Officer*



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## **CORPORATE PROFILE**

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The recognition of customer needs has always been paramount at North West Trust Company.

With operations dating back to the late 1950's, North West Trust Company is registered under the Trust Companies Act of the Province of Alberta. The Company has historically served the financial service interests of the people of Manitoba, Saskatchewan, Alberta and British Columbia and is also licensed to operate in New Brunswick, the Yukon and the North West Territories.

In common with other financial institutions operating in Western Canada in the mid 1980's, the Company experienced difficulties caused by falling real estate prices and the decline in the energy sector. With support from Canada Deposit Insurance Corporation, the Company was restructured by the Government of Alberta, effective January 1, 1987 and has subsequently undergone substantial reorganization.

In developing a business plan for the ongoing growth of the Company, the Board and management established a new Mission Statement which identifies the direction of all future activities. North West Trust Company is a service company - serving the financial needs of its customers with unparalleled quality personal service.

It is this long held belief in service that prompted North West Trust to become one of the first financial service companies to establish an agency network to serve rural areas. This network, established in 1970, has continued to grow; at the end of last year the Company was represented by more than 600 Bonded Agents in cities and towns across the four Western Provinces.

This agency network supplements the Head Office and 13 Branch Offices strategically located throughout the West. Each location offers a wide variety of financial services with an emphasis on customer satisfaction.

**STATEMENT****OF INCOME****AND RETAINED****EARNINGS**

FOR THE YEAR ENDED DECEMBER 31, 1987

1987  
(\$thousands)

|                                                              |          |
|--------------------------------------------------------------|----------|
| Investment Income                                            |          |
| Cash and short term investments                              | \$19,721 |
| Marketable securities                                        | 10,620   |
| Notes receivable                                             | 6,035    |
| Mortgages, loans and leases                                  | 34,443   |
|                                                              | 70,819   |
| Interest on deposits                                         |          |
| Demand and short term                                        | 5,251    |
| Guaranteed investment certificates                           | 49,668   |
|                                                              | 54,919   |
| Net investment income                                        | 15,900   |
| Other income                                                 |          |
| Mortgage administration fees                                 | 1,251    |
| Other mortgage fees                                          | 732      |
| Trust fees                                                   | 257      |
| Other                                                        | 423      |
|                                                              | 2,663    |
| Net income before operating expenses                         | 18,563   |
| Operating expenses                                           |          |
| Salaries and employee benefits                               | 4,751    |
| Premises                                                     | 1,692    |
| Agent commissions                                            | 634      |
| Other                                                        | 3,342    |
|                                                              | 10,419   |
| Net income, being retained earnings at end of year (Note 9a) | \$ 8,144 |

Earnings per common share and Class "A" share (Note 1f)

|                 |        |
|-----------------|--------|
| - fully diluted | \$0.30 |
| - basic         | \$1.58 |



**BALANCE****SHEET**

AS AT DECEMBER 31, 1987

|                                          | 1987          | Proforma<br>1986           |
|------------------------------------------|---------------|----------------------------|
|                                          | (\$thousands) | (Note 13)<br>(\$thousands) |
| ASSETS                                   |               |                            |
| Cash and short term investments          | \$176,183     | \$332,114                  |
| Marketable securities (Note 4)           | 141,731       | 50,542                     |
| Accounts receivable                      | 305           | 475                        |
| Notes receivable (Note 5)                | 64,500        | 62,851                     |
| Mortgages, loans and leases (Note 6)     | 334,552       | 323,232                    |
| Premises and equipment (Note 7)          | 1,601         | 853                        |
| Other assets                             | 904           | 1,157                      |
|                                          | \$719,776     | \$771,224                  |
| LIABILITIES                              |               |                            |
| Deposits:                                |               |                            |
| Demand and short term                    | \$ 80,258     | \$ 81,310                  |
| Guaranteed investment certificates       | 574,517       | 631,867                    |
|                                          | 654,775       | 713,177                    |
| Accounts payable and accrued liabilities | 6,857         | 8,047                      |
|                                          | 661,632       | 721,224                    |
| SHAREHOLDERS' EQUITY                     |               |                            |
| Share capital (Note 9)                   | 50,000        | 50,000                     |
| Retained earnings                        | 8,144         | —                          |
|                                          | 58,144        | 50,000                     |
|                                          | \$719,776     | \$771,224                  |

On behalf of the Board:



Director



Director

**STATEMENT  
OF CHANGES  
IN FINANCIAL  
POSITION**

FOR THE YEAR ENDED DECEMBER 31, 1987

1987  
(\$thousands)

|                                                                                              |           |
|----------------------------------------------------------------------------------------------|-----------|
| Operating activities:                                                                        |           |
| Cash provided by (used for):                                                                 |           |
| Net income for the year                                                                      | \$ 8,144  |
| Depreciation                                                                                 | 269       |
| Amortization of discounts                                                                    | (6,492)   |
| Other                                                                                        | 473       |
|                                                                                              | 2,394     |
| Deposits                                                                                     | (48,594)  |
| Operating investment activities:                                                             |           |
| Marketable securities                                                                        | (92,747)  |
| Mortgages, loans and leases                                                                  | (13,552)  |
| Notes receivable                                                                             | (1,649)   |
|                                                                                              | (107,948) |
| Changes in accounts receivable, other assets and<br>accounts payable and accrued liabilities | (766)     |
|                                                                                              | (154,914) |
| Capital investment activities:                                                               |           |
| Cash provided by (used for):                                                                 |           |
| Premises and equipment                                                                       | (1,017)   |
| Capital rehabilitation financing activities:                                                 |           |
| Cash provided by (used for):                                                                 |           |
| Discontinued business activities                                                             | 290,052   |
| Notes receivable                                                                             | (62,851)  |
| Repayment of subordinated notes                                                              | (57,625)  |
| Share capital issued                                                                         | 123,225   |
|                                                                                              | 292,801   |
| Increase in cash and short term investments                                                  | 136,870   |
| Cash and short term investments,<br>beginning of year (Note 13)                              | 39,313    |
| Cash and short term investments, end of year                                                 | \$176,183 |



**AUDITORS'**  
**REPORT**

The Shareholders,  
North West Trust Company

We have examined the balance sheet of North West Trust Company as at December 31, 1987 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Alberta  
February 29, 1988.

*Touche Ross & Co.*  
Chartered Accountants

# NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1987

## 1. Summary of significant accounting policies

The financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied and within the framework of the accounting policies summarized below:

**a) Marketable securities:** Bonds are stated at amortized cost plus accrued interest. Stocks are stated at cost plus dividends receivable. A provision for losses is provided where a decline in market value represents other than a temporary diminution of value.

**b) Notes receivable:** Notes receivable are stated at cost plus accrued interest which does not exceed net realizable value.

**c) Mortgages, loans and leases:** Mortgages and loans are stated at cost, which includes capitalized and accrued interest, taxes and other charges less provision for losses. Mortgage premiums and discounts are amortized to income over the term of the mortgage. Leases are stated at cost plus unearned income. The unearned income is amortized over the term of the lease.

Non-performing investments are stated at estimated net realizable value. All mortgages, loans and leases which have reached 90 days in arrears, other than those subject to the put option (Note 2b), are classified as non-performing investments. Once a mortgage, loan or lease has reached 90 days in arrears, all unpaid interest income is reversed and revenue is taken into earnings only as collected.

**d) Premises and equipment:** Premises and equipment are stated at cost less accumulated depreciation. Depreciation is based on the estimated useful lives of the assets and is calculated using a straight-line or diminishing-balance method as considered most appropriate for each type of asset.

**e) Pension costs:** The Company has adopted the new recommendations of the Canadian Institute of Chartered Accountants on accounting for pension costs and obligations with prospective application.

Pension expense consists of the actuarially computed costs using management's best estimate assumptions of pension benefits in respect of current year's service, imputed interest on plan assets and on accumulated benefits, with any experience gains or losses being amortized over the average remaining service life of the employee group. The difference between the actuarial present value of the accrued pension obligation and the market value of pension fund assets at June 30, 1987 is also being amortized over the average remaining service life of the employee group.

**f) Net earnings per common share and Class "A" share:** Basic earnings are calculated based upon the net earnings attributable to the weighted average of shares outstanding for both common and Class "A" shares. Fully diluted earnings are calculated on the assumption that all Class "B" preferred shares had been converted at the beginning of the year.

**g) Comparative figures:** As a result of the rehabilitation of the Company effective January 1, 1987, the balance sheet as at December 31, 1986 and the statements of income and retained earnings and changes in financial position for the year then ended are not presented in the financial statements as they are not considered meaningful.

## 2. Rehabilitation agreement

Arising out of and facilitated by arrangements between the Province of Alberta and the Canada Deposit Insurance Corporation, the Company and 354713 Alberta Ltd., a company owned by the Province of Alberta, concluded a rehabilitation agreement on March 19, 1987 with effect from January 1, 1987, which resulted in the following significant transactions:



**a) Sale of discontinued business assets and issuance of share capital:**

|                                                                                                      |                 |
|------------------------------------------------------------------------------------------------------|-----------------|
|                                                                                                      | (\$thousands)   |
| Sale of discontinued business assets                                                                 | \$303,702       |
| Issuance of 576,250 Class "C" Preferred shares (Note 9a)                                             | 57,625          |
| Issuance of 21,866,667 Class "B" Preferred shares (Note 9a)                                          | 65,600          |
|                                                                                                      | <hr/> \$426,927 |
| Consideration received for the above:                                                                |                 |
| Cash                                                                                                 | \$292,801       |
| Note receivable bearing interest at prime due 90 days after demand but not later than March 19, 1992 | 62,851          |
| Retirement of subordinated notes                                                                     | 57,625          |
| Assumption of liabilities of discontinued business assets                                            | 13,650          |
|                                                                                                      | <hr/> \$426,927 |

**b) Put option:** The agreement provides, subject to the consent of the Province of Alberta, for the Company to cause 354713 Alberta Ltd. to purchase at its book value up to an additional \$50 million of certain assets at any time prior to July 1, 1992. The Company has been indemnified by the Province of Alberta from any loss in regard to the obligation of 354713 Alberta Ltd. During the year the Company sold assets totalling \$1,120,000 to 354713 Alberta Ltd. under this arrangement.

**c) Provision for rehabilitation:** In order to establish the framework for returning the Company to viable operations, the Company provided the following reserves as at December 31, 1986:

- i) \$12,310,000 to establish an acceptable interest rate spread between its interest bearing assets and liabilities.
- ii) \$4,500,000 for the extraordinary costs to complete the rehabilitation plan and to reorganize operations.

During the year, \$6,120,000 was amortized into income from the interest rate spread reserve and \$2,067,000 was utilized for extraordinary costs from the restructuring provision.

**3. Acquisition of Heritage Savings and Trust Company**

On March 13, 1987, the Company acquired the performing assets and customer liabilities of Heritage Savings and Trust Company as follows:

|                                |                |
|--------------------------------|----------------|
| Assets:                        | (\$ thousands) |
| Cash and marketable securities | \$28,420       |
| Mortgages and loans            | 49,616         |
| Other                          | 393            |
|                                | <hr/> \$78,429 |
| Liabilities:                   |                |
| Deposits and certificates      | \$78,060       |
| Other                          | 369            |
|                                | <hr/> \$78,429 |

Additionally, the Company received \$1,072,000 to cover anticipated extraordinary expenses associated with the acquisition.

#### 4. Marketable securities

|                      | 1987                   |           | 1986                   |          |
|----------------------|------------------------|-----------|------------------------|----------|
|                      | Cost<br>(\$ thousands) | Market    | Cost<br>(\$ thousands) | Market   |
| Bonds:               |                        |           |                        |          |
| Government of Canada | \$ 17,237              | \$ 16,452 | \$ 917                 | \$ 957   |
| Provincial           | 17,122                 | 16,919    | 681                    | 710      |
| Corporate            | 95,067                 | 93,379    | 38,842                 | 39,107   |
|                      | 129,426                | 126,750   | 40,440                 | 40,774   |
| Stocks:              |                        |           |                        |          |
| Preferred            | 322                    | 157       | 217                    | 195      |
| Common               | 11,983                 | 10,969    | 9,885                  | 9,994    |
| Total securities     | \$141,731              | \$137,876 | \$50,542               | \$50,963 |

#### 5. Notes receivable

Notes receivable bear interest at prime and are due 90 days after demand but not later than March 19, 1992. All notes carry the indemnity of the Province of Alberta.

#### 6. Mortgages, loans and leases

|                               | 1987<br>(\$ thousands) | 1986<br>(\$ thousands) |
|-------------------------------|------------------------|------------------------|
| Mortgages                     | \$308,774              | \$307,439              |
| Consumer and collateral loans | 20,473                 | 12,672                 |
| Lease contracts               | 5,305                  | 3,121                  |
|                               | \$334,552              | \$323,232              |

As at December 31, 1987 the Company did not have any non-performing mortgages, loans or leases other than those eligible under the put option as described in Note 2b.

#### 7. Premises and equipment

|                                            | 1987<br>(\$ thousands) | 1986<br>(\$ thousands) |
|--------------------------------------------|------------------------|------------------------|
| Land                                       | \$ 144                 | \$ 140                 |
| Buildings                                  | 152                    | 128                    |
| Leasehold improvements                     | 386                    | 193                    |
| Motor vehicles                             | —                      | 43                     |
| Equipment (furniture, office and computer) | 1,626                  | 813                    |
|                                            | 2,308                  | 1,317                  |
| Accumulated depreciation and amortization  | (707)                  | (464)                  |
|                                            | \$1,601                | \$ 853                 |

Depreciation and amortization included in expenses for 1987 total \$269,000.

#### 8. Income taxes

On March 19, 1987 the Company became exempt from all taxes imposed under the Income Tax Act pursuant to Section 149 of the Act. The losses available to carry forward in the approximate amount of \$52,000,000 would only be relevant in the event the Company ceases to be exempt.

#### 9. Share capital

a) **Reorganization of authorized and issued capital:** On March 17, 1987 as approved at the Special General Meeting of Shareholders, the following changes were made to the Company's authorized share capital:

- cancellation of 1,919,860 unissued common shares without nominal or par value;
- cancellation of 1,929,710 unissued Class "A" Non-Voting shares;



iii) cancellation of 200,000 unissued Class "B" Preferred shares without nominal or par value;

iv) cancellation of 2,400,000 unissued Class "C" Preferred shares;

Following such cancellations the only remaining authorized capital was that which had already been issued, being 3,080,140 common shares without par value and 2,070,290 Class "A" Non-Voting shares with a par value of \$1 each. At the same meeting the creation of the following additional shares was approved:

v) creation of an additional 20,600,000 common shares without par value which may be issued for the maximum aggregate price or consideration of \$120,000,000 and which rank pari passu with existing authorized common shares;

vi) creation of 30,000,000 Class "B" Preferred shares with a par value of \$3 each;

vii) creation of 600,000 Class "C" Preferred shares with a par value of \$100 each;

viii) creation of 30,000,000 Class "D" shares with a par value of \$3 each.

On March 19, 1987 the Company issued the following shares: (\$thousands)

|                                    |          |
|------------------------------------|----------|
| 576,250 Class "C" Preferred Shares | \$57,625 |
|------------------------------------|----------|

|                                       |        |
|---------------------------------------|--------|
| 21,866,667 Class "B" Preferred Shares | 65,600 |
|---------------------------------------|--------|

as part of the restructuring of the Company (Note 2) in order to provide the Company with a \$50 million capital base.

Concurrent with the issuance of Class "B" and Class "C" Preferred shares, the holders thereof sanctioned a reduction in the stated capital account in the amount of \$77,078,000 to be applied against the Company's deficit as of December 31, 1986.

Also concurrent with issuance of the Class "B" and Class "C" Preferred shares, the Company redeemed all of its subordinated notes, having a face value of \$57,625,000.

**b) Authorized and issued share capital:** The following is a summary of the authorized, issued and outstanding share capital of the Company as at December 31, 1987 after giving effect to the above changes and the effect of the rehabilitation plan referred to in Note 2:

|                                                                                                                   | Issue<br>Price | Dec 31<br>1986<br>Deficit<br>Reduction | Stated<br>Capital<br>1987 | Stated<br>Capital<br>1986 |
|-------------------------------------------------------------------------------------------------------------------|----------------|----------------------------------------|---------------------------|---------------------------|
|                                                                                                                   |                |                                        |                           | (\$ thousands)            |
| Pursuant to the rehabilitation plan:                                                                              |                |                                        |                           |                           |
| 600,000 Class "C" Preferred shares with a par value of \$100 each.                                                |                |                                        |                           |                           |
| Issued and outstanding:                                                                                           |                |                                        |                           |                           |
| 576,250 shares                                                                                                    | \$ 57,625      | \$(11,479)                             | \$46,146                  | \$ —                      |
| 30,000,000 Class "B" Preferred shares with a par value of \$3 each. Issued and outstanding: 21,866,667            | 65,600         | (65,599)                               | 1                         | —                         |
| 30,000,000 Class "D" Preferred shares with a par value of \$3 each. Issued and outstanding: Nil                   | —              | —                                      | —                         | —                         |
| Prior to December 31, 1986:                                                                                       |                |                                        |                           |                           |
| 2,070,290 Class "A" Non-Voting shares with a par value of \$1 per share. Issued and outstanding: 2,070,290 shares | 2,070          | —                                      | 2,070                     | 2,070                     |
| 23,680,140 common shares without par value. Issued and outstanding: 3,080,140 shares                              | 1,783          | —                                      | 1,783                     | 1,783                     |
|                                                                                                                   | \$127,078      | \$(77,078)                             | \$50,000                  | \$3,853                   |

**c) Terms of issue:** Class "C" Preferred shares have no general voting rights and carry a fixed non-cumulative dividend as and when declared by the Board of Directors of 7% per annum of the par value. Class "C" Preferred shares may be redeemed at the option of the Company at par value plus any accrued and unpaid dividends, excluding interest, thereon to the redemption date, and rank in priority to all other classes of shares.

Class "B" Preferred shares carry one vote for each share and a fixed non-cumulative dividend of 7% per annum of the par value as and when declared by the Board of Directors (after all dividends and applicable interest payable on Class "C" Preferred shares have been paid). Each Class "B" Preferred share is convertible into one common share and ranks in parity with Class "D" Preferred shares. Class "B" Preferred shares may, if no Class "C" Preferred shares are then issued and outstanding, be redeemed at the option of the Company at par value plus all accrued and unpaid dividends, excluding interest, thereon to the redemption date.

Class "D" Preferred shares carry one vote for each share and a fixed non-cumulative dividend of 7% of the par value per annum as and when declared by the Board of Directors. Class "D" Preferred shares may, if no Class "C" Preferred shares are then issued and outstanding, be redeemed at the option of the Company at par value plus all accrued and unpaid dividends, excluding interest, thereon to the redemption date. Class "D" Preferred shares rank in parity with Class "B" Preferred shares.

Class "A" Non-Voting shares are entitled to receive in each fiscal year, when and as declared by the Board of Directors (after all dividends for such fiscal year and applicable interest payable on Class "B" Preferred shares, Class "C" Preferred shares and Class "D" Preferred shares have been paid), non-cumulative dividends at the rate of 3¢ per annum. No dividends shall be declared and paid or set aside for payment on the common shares in any fiscal year unless and until the dividends at the rate of 3¢ per share are paid on the Class "A" Non-Voting shares. Thereafter, dividends of up to 3¢ per share may be paid on the common shares and thereafter any further sums, which the Company declares for payment of dividends in such fiscal year shall be paid in equal amounts per share on all Class "A" Non-Voting shares and common shares without preference or distinction.

In accordance with the terms of issue of the Class "A" Non-Voting shares, as dividends have not been paid on them for two consecutive years, these shares became voting shares as at December 31, 1986 and will continue to be voting shares until such time as dividends have been paid on them at the prescribed rate for two consecutive years

#### **10. Commitments and contingencies**

Contractual obligations in respect of operating leases for premises expiring at various dates to 1998 amount to \$4,813,000. Rent paid in 1987 amounted to \$1,492,000. The future minimum payments under the terms of all the operating leases for the next five years are:

|      | (\$ thousands) |
|------|----------------|
| 1988 | \$1,057        |
| 1989 | 1,072          |
| 1990 | 1,061          |
| 1991 | 969            |
| 1992 | 510            |

#### **11. Pension plan**

North West Trust Company maintains a defined benefit pension plan covering substantially all of its employees. Based on the latest actuarial report prepared as of June 30, 1987 using management's best estimate assumptions, the present value of the accrued pension



benefits as at June 30, 1987 amounted to \$357,000 and the market value of the net assets available to provide these benefits was \$407,000.

## **12. Related party transactions**

Subsequent to restructuring the Company sold at net book value non-performing assets in the amount of \$1,120,000 to 354713 Alberta Ltd.

In the normal course of business the Company received interest income of \$6,035,000 and mortgage administration fees of \$1,251,000 from 354713 Alberta Ltd.

## **13. Balance sheet - December 31, 1986**

The December 31, 1986 proforma balance sheet takes into account the rehabilitation agreement as described in Note 2 as if these transactions had taken place on December 31, 1986. Certain of these figures have been reclassified to conform with the current year's presentation.

The details of the actual balance sheet as at December 31, 1986 are as follows:

|                                             |                |
|---------------------------------------------|----------------|
| ASSETS                                      | (\$ thousands) |
| Cash and short term investments             | \$ 39,313      |
| Marketable securities                       | 50,542         |
| Accounts receivable                         | 475            |
| Mortgages, loans and leases                 | 323,232        |
| Premises and equipment                      | 853            |
| Other assets                                | 1,157          |
| Discontinued business assets                | 303,702        |
|                                             | <hr/>          |
|                                             | \$719,274      |
| LIABILITIES                                 | (\$ thousands) |
| Deposits                                    | \$ 81,310      |
| Guaranteed investment certificates          | 631,867        |
|                                             | <hr/>          |
|                                             | 713,177        |
| Accounts payable and accrued liabilities    | 8,047          |
| Subordinated notes                          | 57,625         |
| Liabilities of discontinued business assets | 13,650         |
|                                             | <hr/>          |
|                                             | 792,499        |
| DEFICIENCY OF ASSETS                        |                |
| Share capital                               | 3,853          |
| Deficit                                     | (77,078)       |
|                                             | <hr/>          |
|                                             | (73,225)       |
|                                             | <hr/>          |
|                                             | \$719,274      |
|                                             | <hr/>          |

## **CORPORATE INFORMATION**

### **Board of Directors**

Gary G. Campbell, *Q.C.*  
*Chairman*

Zane Feldman  
*President, Efmark Group  
of Companies Limited*

William D. Grace, *F.C.A.*  
*Financial and  
Management Consultant*

George L. Jackson, *F.I.C.B.*  
*Corporate Director*

Mary Lobay, *B.Ed., M.Ed.*  
*Educator*

Dr. Demitro Melnyk, *B.Sc., M.D.*  
*Medical Doctor*

Robert G. Peters  
*President, Peters & Co. Limited*

Donald H. Wheaton  
*President, Don Wheaton Ltd.*

Roy G. Wilson  
*Corporate Director*

Norman L. Witten, *Q.C.*  
*Barrister & Solicitor, Witten Binder*

**Registrar and Transfer Agent**  
North West Trust Company

### **Bankers**

Treasury Branches of Alberta  
Royal Bank of Canada

### **Auditors**

Touche Ross & Co.

### **Executive Officers**

Gary G. Campbell, *Q.C.*  
*Chairman, President and  
Chief Executive Officer*

William D. Grace, *F.C.A.*  
*Board Vice-President*

Norman L. Witten, *Q.C.*  
*Secretary*

Donald E. Farnell  
*Executive Vice-President and  
Chief Operating Officer*

M. Wayne Bond  
*Vice-President,  
Corporate Administration*

Gordon Conway  
*Vice-President, Branch Operations*

John S. Davediuk  
*Vice-President, Trust Services*

Erwin Granson, *C.M.A.*  
*Vice-President, Controller*

Charles A. Hughes  
*Vice-President,  
Loan Administration and Credit*

Lorne W. Kendall  
*Vice-President, Manitoba*

Daniel O. McCormack  
*Management Advisor*

Terry V. Nyquest  
*Vice-President,  
Corporate Information Services*

Ronald S. Pillott  
*Vice-President, Commercial Lending*

Roger J. Pogue  
*Vice-President, Audit Services*



## BOARD COMMITTEES

### Executive Committee

The Executive Committee meets monthly to provide leadership in setting strategic objectives for the Company and to consider and approve proposed actions not within management authority. This Committee exercises all of the powers of the Board except those prohibited by statute and monitors Company activities to ensure adherence to general corporate policies and procedures.

Members:

G.G. Campbell, *Q.C. (Chairman)*  
W.D. Grace, *F.C.A.*  
G.L. Jackson, *F.I.C.B.*  
R.G. Peters

### Audit Committee

The Audit Committee meets four times per year to review the Company's financial statements and the financial content of any other reports and recommend their approval to the Board. This Committee monitors the appropriateness of accounting policies and financial reporting used by the Company; reviews the scope and examination of the external audit; and examines the performance of the Internal Audit Department.

Members:

W.D. Grace, *F.C.A. (Chairman)*  
M. Lobay, *B.Ed., M.Ed.*  
N.L. Witten, *Q.C.*

### Human Resources Committee

The Human Resources Committee meets quarterly to review the Company's compensation plans and policies, and to make recommendations, for approval by the Board, of any changes or alterations. This Committee recommends the appointment and compensation of officers of the Company and reviews the personnel organization plan for all employees.

Members:

W.D. Grace, *F.C.A. (Chairman)*  
G.G. Campbell, *Q.C.*  
D.H. Wheaton

### Mortgage and Loan Committee

The Mortgage and Loan Committee meets twice monthly to review the Company's mortgage and loan portfolio and to approve new loans and renewals. This Committee monitors the results of loan file quality control reviews and periodically assesses policies and procedures and authority limits for mortgage and commercial loan underwriting.

Members:

G.L. Jackson, *F.I.C.B. (Chairman)*  
G.G. Campbell, *Q.C.*  
Z. Feldman  
W.D. Grace, *F.C.A.*  
R.G. Wilson

## SERVICES

### **Investor Account**

A daily interest savings and chequing account. With a minimum monthly balance of \$3,000, the Investor pays a bonus interest bringing the posted rate up to match the 30 day short-term rate. There is no charge chequing based on a minimum monthly balance.

### **T-Bill Savings**

The T-Bill Savings Account earns higher interest every day without locking up funds. Offering money market rates in a daily interest savings account, as the balance grows so does the interest. Rates are set weekly based on Government of Canada Treasury Bill rates.

### **56+ Bonus Plan**

Designed for people 56 years of age or better, this Plan offers a variety of special services; bonus interest on Investor Accounts and monthly GIC's, discounts on safety deposit box rentals, no-fee travellers cheques, money orders, utility bill payments and chequing privileges, and much more.

### **Regular Savings**

Interest is earned on the minimum monthly balance and credited semi-annually. Funds may be transferred to a North West Trust chequing account for additional convenience.

### **Chequing Account**

Customers receive an itemized statement monthly with cancelled cheques returned. There is no service charge based on a minimum monthly balance.

### **Short Term Deposits**

For maximum flexibility in investment planning, Short Term Deposits pay high interest on funds deposited for 30 to 59 days. And, after 30 days, funds can be left on deposit at the guaranteed rate for an additional 29 days, or withdrawn on demand.

### **Guaranteed Investment Certificates**

A secure investment with a high return, GIC's offer a choice of terms from 60 to 364 days or 1 to 5 years. Interest rates are guaranteed for the length of the term and, subject to the amount invested, customers select the interest payment frequency that meets individual financial needs.

### **Registered Retirement Savings Plans**

A North West Trust RRSP is the ideal way to save for the future. Customers may select a Short Term Plan from 30 to 364 days, a Fixed Term Plan from 1 to 5 years, or a Flexible Plan with interest calculated on the minimum daily balance.

### **Group RRSP Plans**

For companies without company pension plans, Group RRSP's provide employees an opportunity to supplement retirement income through payroll deducted contributions, while receiving the added benefits of a pooled investment.

### **Guaranteed Retirement Income Fund**

As an option for maturing RRSP's, the North West Trust GRIF offers a guaranteed income for the retirement years ahead. Customers choose terms of 1 to 5 years and the frequency of payments, allowing payment amounts to be tailored to cash requirements in any one year.



### **Best Line of Credit**

With a Best Line of Credit, customers have a preauthorized credit limit which allows cheques to be written to obtain funds, whenever the need arises.

### **Personal Loans**

At North West Trust, personal loans are designed to meet individual needs. Customers have a choice of payment terms at competitive rates with approval given within 24 hours.

### **Commercial and Residential Mortgage Lending**

North West Trust offers a full spectrum of mortgage financing at competitive rates. Residential, commercial and interim construction loans are custom tailored to meet the constantly changing needs of clients.

### **Portfolio Management**

North West Trust provides management of commercial and residential mortgage portfolios. Complete administration and loan accounting services are also available.

### **Term Lending**

Businesses will find a flexible, competitive and professional approach to creating customized solutions to their long term financing needs at North West Trust. Interest rates can be fixed or floating, a combination of both, or floating with an option to fix in the future.

### **Leasing**

North West Trust offers a competitive service for leasing of all types of business equipment. Leases are individually tailored to each customer's unique requirements. Lease lines of credit can be established to simplify funding of future asset acquisitions on pre-agreed terms.

### **Travellers Cheques and Money Orders**

Travellers cheques and money orders in Canadian or U.S. funds are available at all North West Trust branch offices, in a wide variety of denominations.

### **Safety Deposit Boxes**

To protect valuables for only pennies a day, a wide variety of safety deposit boxes are available at most branch offices.

### **Deposit by Mail**

As a convenience to customers, postage-paid envelopes and deposit slips are available at every branch of North West Trust. Deposits may be made to any account by dropping the envelopes in the mail.



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## OFFICES

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### HEAD OFFICE

18th Floor, Toronto Dominion Tower  
10205 - 101 Street  
Edmonton, Alberta T5J 4G1  
Telephone: (403) 429-9300

### BRANCH OFFICES

#### Calgary

PanCanadian Plaza  
150 - 9th Avenue, S.W.  
Telephone: (403) 264-5423

#### Camrose

4895 - 50 Street  
Telephone: (403) 672-7769

#### Edmonton

10205 Jasper Avenue  
Telephone: (403) 428-1212

10166 - 100 Street  
Telephone: (403) 422-6211

7933 - 104 Street  
Telephone: (403) 433-4286

#### Lethbridge

College Mall  
2025 Mayor Magrath Drive  
Telephone: (403) 328-9199

#### New Westminster

632 Columbia Street  
Telephone: (604) 522-0757

#### Regina

1920 Broad Street  
Telephone: (306) 565-0660

#### Saskatoon

129 - 2 Avenue North  
Telephone: (306) 934-6161

#### Yorkton

Parkland Mall  
277 Broadway Street East  
Telephone: (306) 782-1002

#### Vancouver

803 Hornby Street  
Telephone: (604) 685-0451

#### Victoria

1113 Blanshard Street  
Telephone: (604) 386-3534

#### Winnipeg

234 Portage Avenue  
Telephone: (204) 947-0631

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The Annual General Meeting and  
Special General Meeting of  
Shareholders will be held in the  
Winter Lake Room  
Four Seasons Hotel  
10235 - 101 Street  
Edmonton, Alberta on  
Tuesday, May 17, 1988  
at 11:00 am.



